

# Memorandum

To: Panel Members Date: May 23, 2002

From: Ron Tagami, Manager  
Peter DeMauro, General Counsel Analyst: M. Tolentino

Subject: One-Step Agreement for **Aerosol Services Company, Inc.**  
(www.osghq.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
  - Company Wide: 1,200
  - In California: 145
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$147,600
- Substantial Contribution: \$0
- Total ETP Funding: \$147,600
- In-Kind Contribution: \$152,400
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles
- Duration of Agreement: 24 months

**SUBCONTRACTORS:**

American Business Communications, Redlands, California, for administration, \$19,200

American Business Communications, Redlands, California, for training, \$45,000

**THIRD PARTY SERVICES:**

American Business Communications assisted in the design of the training program and completion of the application. The amount reimbursed for these services is \$7,500, which is based on a flat rate.

**NARRATIVE:**

This project is eligible for ETP funding under the out-of-state competition provisions listed in Title 22, California Code of Regulations, Section 4416(b) for a company engaged in manufacturing.

Aerosol Services Company, Inc. (ASC) was founded in 1967 by Walter Lim. The company, which is located in the City of Industry, California, manufactures aerosol and liquid products for "salon" producers such as Sebastian, Graham Webb and Joyco, who have little or no manufacturing capability. In 1998, the company was purchased by Out Sources Service Group (OSG), a custom manufacturer of products ranging from cosmetics, personal care, household, pharmaceutical, automotive and Over The Counter (OTC) medical products.

OSG wants ASC to expand into the OTC market for medical products and has raised quality product standards to meet the demands of the OTC medications market. To improve its success in the OTC market, ASC conducted a Malcolm Baldrige-based needs assessment on the following subjects: Leadership, Strategy, Customer Focus, Information Analysis, Staff Development and Process Management. The results of the assessment indicated a need to retrain 111 employees in Business Skills, Management Skills, Continuous Improvement, Computer Skills and Manufacturing Skills as proposed in the ETP-funded Agreement.

One of ASC's goals is to help managers and supervisors develop effective feedback tools for the frontline workers and provide management staff with skills necessary to effectively link their staff with newly developed systems, processes and measures. Through Business Skills training, managers and supervisors will learn how to improve the way they currently gather and use information, examine existing processes to determine whether they are effective, and assess the current method of monitoring day-to-day objectives against the company's monthly, quarterly and annual business goals. In addition, through Management Skills training, managers and supervisors will learn how to manage their time more effectively and to use coaching and facilitation to lead and motivate workers.

To facilitate the implementation of its new processes and meet the more stringent demands of the OTC market, ASC plans to upgrade its Simex computer system. Frontline workers must be able to properly enter and retrieve information from this system. The proposed Computer Skills training will enable workers to monitor performance and productivity against the ASC goals developed in the other classes.

**NARRATIVE:** (continued)

ASC's frontline workers will be involved in the company's initiative to improve quality, productivity and conformance to OTC standards. Production and maintenance staff will be cross-trained to operate and maintain equipment under these standards. The Continuous Improvement training requested in this proposal will provide workers with problem solving skills to reduce operating costs and increase productivity. Manufacturing Skills training will enable workers at all levels to operate machines during business surges or absences of key personnel. Maintenance and production staff will learn to operate and maintain equipment under OTC medication standards.

ETP training will assist the company to move to a high performance workplace and promote a cellular manufacturing environment. With ETP funding, the company will be able to increase customer satisfaction, its net profits and market share.

**Supplemental Nature of Training**

In the early 1990's, a majority of ASC's frontline workers were trained in the fundamentals of Good Manufacturing Practices. However, they have not been taught the concepts of lean manufacturing and variance reduction that are fundamental to the continuous improvement training included in this proposal.

In 2000, ASC provided management staff with training in communication, teamwork and the legal aspects of management including sexual harassment and the Employee Assistance Program. The Management Skills training in this project will cover other topics such as leadership skills, time and project management, presentation skills and coaching.

In 2001, only customer service representatives were given a class in customer service. This proposal will allow ASC to provide training to the entire workforce rather than one selected group. Customer Service training will be available to workers from administration staff to production staff as part of the Continuous Improvement curriculum. Also, frontline workers will be provided training in other aspects of Continuous Improvement as well as Computer Skills and Manufacturing Skills.

The Contractor's budget is not sufficient to support the proposed ETP training. Without ETP funding, ASC would not be able to train its workers in lean manufacturing principals, initiation of teams and preparation of its workers for the significantly higher OTC standards.

ASC is committed to continue to provide workers with ongoing training for the two years following the end of the ETP Agreement. The Contractor will invest approximately \$120,000 to cover customer specific and regulatory training needs along with the ongoing development of its high performance work force.

**In-Kind Contribution**

ASC will provide an in-kind contribution of \$152,400. This includes \$133,200 for wages and fringe benefits to be paid to ETP trainees while attending the ETP-funded training and \$19,200 for costs to train eight senior managers who are non-ETP trainees and who will provide Structured, On-Site Training in this proposal.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities based on ASC's stated need to provide employees with skills to enhance its ability to remain competitive, to grow, and to maintain a continuing relationship with its customers. The implementation of this proposed training will enable the company to remain viable in the California economy.

**TRAINING PLAN:**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1 – 2 Retrainee	Menu: Business Skills, Management Skills, Continuous Improvement, Computer Skills, Manufacturing Skills	111	48	0	48 – 96	\$1008 - \$1,392	*\$11.78 - \$39.82
					<b><u>Range of Hourly Wages</u></b> *\$11.78 - \$39.82		
					<b><u>Prevalent Hourly Wage</u></b> \$19.31		
					<b><u>Average Cost per Trainee</u></b> \$1,330		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b> *Health Benefits of at least \$2.51 per hour will be added to Job 2 trainee's wage to meet the ETP minimum hourly rate of \$11.78 per hour for Los Angeles County.					<b><u>Turnover Rate</u></b> 2%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> N/A	

**Aerosol Services Company, Inc.**  
**Menu Curriculum**

<b>Class/Lab Hours</b>	<b>SOST Trainer Hours</b>
48	86 - 892

**Trainees will receive any of the following:**

**CONTINUOUS IMPROVEMENT**

Over the Counter (OTC) development, standards and quality  
Teambuilding and Problem Solving  
Process Review and Improvement  
Communication Skills and Conflict Resolution  
Process and job variation reductions  
Report improvement project findings  
Failure Mode Effect Analysis  
Meeting skills for teams  
Leading & influencing group performance  
Improving Internal Customer Service Performance

**SOST Trainer Activity Plan**

Coach team meetings  
Assist trainees develop continuous improvement projects  
Direct trainees in the development of performance charts  
Direct trainees develop list of projects to improve job/function  
Assist trainees prepare presentations for approval on improvement projects  
Review trainee's development of process flow charts  
Direct trainees to implement performance management tools  
Help Trainees to achieve OTC standards for quality

**Competency:** Trainees will be able to develop, manage, facilitate and mentor others in problem solving, OTC standards and effectively work together in teams.

**BUSINESS SKILLS**

Organizational Leadership System Development and Implementation  
Strategic Plan Development and Implementation  
Customer and Market Focus System Development and Implementation  
Information Analysis System Development and Implementation  
Work and Personnel System Development and Implementation  
Product, Service, and Support System Development and Implementation  
Financial and Operation Performance System Development and Implementation

**SOST Trainer Activity Plan**

Direct trainees to develop strategic action plans  
Direct trainee's deployment of strategic objectives  
Review and critique trainee's customer satisfaction process  
Review and critique trainee's staff learning and development programs  
Review and critique process management system

**BUSINESS SKILLS (continued)**

### **SOST Trainer Activity Plan**

Assist trainee in the development and adjustment of financial and performance measurement systems.

**Competency:** Trainees will be able to communicate to others the company's strategic goals and align performance objectives to positively and productively achieve them.

### **MANAGEMENT SKILLS (Only Trainees with management/supervision roles will receive Management Skills Training)**

Leadership skills for employee well being and satisfaction  
Coaching, monitoring and enhancing employee & group performance  
Organizing, planning to achieve strategic goals  
Time and project management  
Measurement and analysis of group performance  
Management of business and support processes  
Managing Quality and customer satisfaction  
Creating and maintaining effective work systems  
Effective meeting and presentation skills  
Effective Discipline and counseling skills

### **SOST Trainer Activity Plan**

Critique trainees after they conduct an employee discipline session.  
Coach the trainee in deployment of a strategic action plan  
Direct trainees in development and implementation of a departmental project  
Observe trainees as they prepare, monitor & adjust goal status reports  
Help trainees conduct a departmental performance evaluation  
Observe Trainees conduct a performance review

**Competency:** Trainees will be able to better manage day-to-day operations and employees to meet the company's strategic goals.

### **COMPUTER SKILLS**

Word Processing  
Spreadsheets/Database  
Simex and Network Systems  
Document Control and Management  
Internet communication and fundamentals  
Power point Presentation Skills

### **SOST Trainer Activity Plan**

Assist trainees in creating modifying and finding spreadsheets & documents.  
Check final computer documents to ensure accuracy  
Assist trainees in creating and tracking document essential to operation.  
Assist trainees in use of the Simex, the network and contact management  
Assist trainees in preparation of presentations

**Competency:** Trainees will be able to use the Simex, network and application software to do their job more effectively

## **MANUFACTURING SKILLS**

Equipment Operation  
Troubleshooting Hydraulic, Electrical and Mechanical Control  
Maintaining Hydraulic, Electrical and Mechanical Equipment  
Lean Manufacturing Skills  
Fundamental Variance reduction techniques  
Rework Methods  
Compounding skills  
Non-aerosols Production Processes  
Aerosol Filling Processes  
Packaging and warehousing  
Cross-train trainees on different operations and/or equipment

## **SOST Trainer Activity Plan**

Direct trainee for correct equipment operations  
Direct trainee completing packaging  
Direct trainee complete product assembly.  
Check trainee's completed work to determine whether it meets specifications  
Verify trainee's data collection, analysis and results

<p><b>Competency:</b> Trainees will be able to manufacture, assemble and ship products based on company and regulatory specifications.</p>
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